

## MEMORANDUM

To: City of Burlington Electric Department  
Vermont Department of Public Service

From: Michael Dworkin, Chair  
David Coen, Board Member  
John Burke, Board Member

Re: Public Service Board's Decision in re: BED's Annual Budgets for Delivery of Core  
Energy Efficiency Programs in Its Service Territory

Date: December 2, 2002

---

On August 1, 2002, the Public Service Board ("Board") issued a memorandum setting forth its decisions on several issues related to Vermont's energy efficiency utility ("EEU"), known as Efficiency Vermont. One of those decisions was that the City of Burlington Electric Department ("BED") could continue to deliver most of the services offered by the EEU in BED's service territory until December 31, 2005. However, several issues related to BED's delivery of these energy efficiency services were not resolved in the Board's August 1, 2002, memorandum.

Since the issuance of the August 1, 2002 memorandum, the Board has:

- Decided that the retrofit activities that were part of the EEU's Emerging Markets Initiative in 2002 will be part of other EEU initiatives in 2003;<sup>1</sup>
- Approved a stipulation, signed by BED and other parties, in Docket 6741 which resolved various issues associated with the Energy Efficiency Charge ("EEC"), including the methodology for collecting the gross revenue and weatherization taxes, and the methodology for recovering uncollectibles related to the EEC.

---

<sup>1</sup>This decision does not change the amount of funds that will be collected from BED's customers via the EEC. Rather, it shifts funds from the Emerging Markets Initiative, which will continue to be implemented by Efficiency Vermont, to other EEU initiatives, which will be implemented by BED.

In addition, on September 16, 2002, BED filed proposed final annual budgets for 2003, 2004, and 2005 as well as program implementation plans.<sup>2</sup> On October 4, 2002, BED filed revised proposed final annual budgets. The Vermont Department of Public Service ("DPS") supports the October 4, 2002, proposed final annual budgets.

After considering BED's filings and the DPS's comments at the November 14, 2002, meeting between Board staff, BED staff, DPS staff, and the Contract Administrator, the Board has made a number of decisions regarding BED's annual budgets and other program implementation details. This memorandum serves to memorialize the Board's decisions and the mandates which correspond to those decisions.

**1. The Energy Efficiency Charge ("EEC") in BED's service territory should be designed to collect the following amounts from ratepayers in 2003, 2004, and 2005:**

<b>2003</b>	<b>\$882,481</b>
<b>2004</b>	<b>\$898,073</b>
<b>2005</b>	<b>\$964,784</b>

These amounts are shown on Attachment A to this memorandum, which is supported by both the DPS and BED. The amounts are based upon: (1) BED's expectations for its energy efficiency spending on EEU services in 2003 through 2005; (2) the DPS's expectations regarding the cost of its BED-specific evaluation efforts over the years 2003 through 2005; (3) the Board's expectations regarding the cost of the Contract Administrator, Fiscal Agent, and independent audits over the same time period; and (4) a share of the expected cost of the EEU's Emerging Markets Initiative and of the DPS's statewide EEU evaluation budget.<sup>3</sup> The resulting figure is then adjusted to collect the gross revenue and weatherization taxes, and BED's estimated uncollectibles.

The methodology for recovering and truing up prior years' uncollectibles in 2003 was determined in Docket 6741. However, the methodology for recovering and truing-up prior years' uncollectibles has not yet been determined for 2004 and 2005. As a result, it is possible that, depending upon the methodology that is ultimately approved for recovering those uncollectibles, the amount to be collected from BED's ratepayers via the EEC will need to be adjusted to be consistent with the approved methodology.

**2. BED's estimated core market services and initiatives delivery budget, as shown on Attachment A to this memorandum, is approved. BED retains the flexibility to shift funds among the various EEU services that it is providing.**

---

<sup>2</sup>BED requested, and the Board granted, an extension of time to file its proposed performance indicators. This extension of time will enable BED to consider the performance indicators included in the Board's recent contract extension with the entity serving as the EEU when developing BED's proposed performance indicators.

<sup>3</sup>To determine BED's share of these costs, the total amount of the costs was multiplied by 5.96 percent, which is BED's share of total statewide kwh sales.

Attachment A shows that BED is planning to spend the following amounts on EEU services that it will deliver to its ratepayers:

2003	\$773,990
2004	\$780,956
2005	\$837,185

Attachment A also shows how BED currently plans to allocate these funds among the various EEU services it will be delivering. We do not take any action regarding this allocation. Instead, we note that, as a regulated utility, BED has the responsibility to manage its spending on energy efficiency services, including shifting funds among different services, when it determines it appropriate.

Attachment A also includes amounts that BED's ratepayers will contribute to the EEU's Emerging Markets Initiative (which is delivered by Efficiency Vermont), the cost of the DPS's monitoring and evaluation activities, the cost of the Contract Administrator, Fiscal Agent, and the independent audits. We approve the amounts shown on Attachment A for these items. These services are provided by entities other than BED, and BED may not alter the amounts allocated for these services without prior Board approval.

Attachment A also includes an estimate of the amount of BED's future uncollectibles related to the EEC. In Docket 6741, the Board approved a methodology for recovering and truing-up prior years' uncollectibles in the year 2003. However, the Board has not yet established a methodology for recovering utility uncollectibles in future years. The methodology for collecting BED's uncollectibles related to the EEC in years 2004 and 2005 will be determined at the same time the Board establishes this methodology for the state's other utilities. Specifically, this will be determined as part of the rulemaking the Board plans to open in early 2003 to establish a formula for determining the EEC rates in future years.

Attachment A includes amounts that BED's ratepayers will pay in gross revenue and weatherization taxes related to the EEC. The amounts that will be paid in gross revenue and weatherization taxes are a function of the amount collected via the EEC from BED's customers; therefore, the costs of these items are likely to vary slightly from the budgeted amounts.

Finally, Attachment A includes estimates of the amount of money that BED will spend on its non-EEU energy efficiency services in the years 2003 through 2005. We do not take any action regarding these estimates. These services are like other services provided by a regulated utility, and the Board will only review expenditures on them in the event of a rate case or other investigation.

**3. Like all other Vermont electric distribution utilities, BED will send to the Fiscal Agent the total amount of the EEC billed to customers no later than 23 days after the end of the billing month. However, because BED is delivering most of the EEU initiatives in its service territory, it is eligible to receive from the Fiscal Agent a portion of the amount it has paid the Fiscal Agent, as reimbursement for expenses it has incurred in delivering those services. The portion BED is eligible to receive from the Fiscal Agent will be:**

<b>2003</b>	<b>87.7 percent of the total amount paid to the Fiscal Agent by BED;</b>
<b>2004</b>	<b>87.0 percent of the total amount paid to the Fiscal Agent by BED; and</b>
<b>2005</b>	<b>86.8 percent of the total amount paid to the Fiscal Agent by BED.</b>

**BED shall send its invoices to the Contract Administrator who will review them and authorize payment by the Fiscal Agent.<sup>4</sup> The Contract Administrator may ask BED questions regarding those invoices (which BED shall answer), and shall be required to report any concerns he/she might have regarding those invoices to the Board. However, the Contract Administrator may not refuse to authorize payment. BED shall work with the Contract Administrator to establish the invoicing schedule and requirements.**

Using the figures in Attachment A, 87.7 percent of the total amount collected via the EEC in 2003 is expected to be spent by BED to deliver EEU services. The remaining 12.3 percent will be spent by other entities on items such as the EEU's Emerging Markets Initiative, the DPS's monitoring and evaluation efforts, the Contract Administrator's and Fiscal Agent's services, and taxes. As a result, it is appropriate to limit the amount BED may receive in reimbursements from the Fiscal Agent to 87.7 percent of the total amount it has paid the Fiscal Agent to date in 2003. BED may submit invoices that exceed that percentage; in that event, the Fiscal Agent will only pay immediately as much of the invoice as can be paid without exceeding the 87.7 percent figure, and will pay the remaining amount of the invoice once sufficient EEC collections from BED have been made.

Using the figures in Attachment A, the corresponding percentages for 2004 and 2005 are 87.0 and 86.8, respectively. If the total amount to be collected from BED's ratepayers via the EEC is changed as a result of the Board's rulemaking to establish the methodology for the EEC in future years (see item 1, above, for more information about this rulemaking), the percentages for 2004 and 2005 may need to be recalculated so they are consistent with the actual percentages that are expected to be spent by BED to deliver EEU services.

**4. BED shall file quarterly reports of its activities and performance with the Board, the DPS, and the Contract Administrator within 30 days after the end of each calendar quarter in 2003, 2004, and 2005. These reports shall include, at a minimum, information regarding (1) expenditures by core market area, (2) progress toward BED's performance indicators, and (3) whether BED has modified any of the EEU services it delivers to its customers in order to keep those services consistent with the services delivered by the EEU itself. BED shall work with the DPS and the Contract Administrator to establish more precisely the format and content of the quarterly reports.**

BED has been filing very brief quarterly reports on its expenditures on EEU services and process toward its kwh savings goal. These reports have been helpful. Nevertheless, because BED will now be funding the delivery of EEU services with funds collected via an EEC, additional information should be included in these quarterly reports. It may be possible to provide this additional information through the inclusion of reports BED currently prepares for its Board of Electric Commissioners. When developing the format and content for BED's quarterly reports, BED, the DPS, and the Contract Administrator shall work to minimize the time

---

<sup>4</sup>The Contract Administrator's authorization of payment of BED's invoices does not imply advance approval of those expenditures, or of BED's management of the delivery of EEU services in its service territory, for ratemaking or other regulatory purposes.

and expense associated with the reports' preparation. The format for BED's quarterly reports must be approved by the Contract Administrator.

**5. BED shall continue to file an annual report of its activities and performance with the Board, the DPS, and the Contract Administrator one month after publication of the annual report of the EEU. BED's annual report shall include, at a minimum: (1) a program-by-program comparison of annual costs per annualized MWh with those of the EEU (with a discussion of any variance greater than 10 percent); (2) a market penetration analysis which compares BED's market penetration rates to those of the EEU (with discussion of any variance greater than 10 percent); and (3) an analysis of administrative costs comparing BED and the EEU's administrative costs on a percentage of total cost basis.<sup>5</sup>**

BED has filed annual reports for the years 2000 and 2001, and will be filing an annual report for 2002, that include the information listed above. Any proposed changes to the format that has been used in the past should be discussed by BED, the DPS, and the Contract Administrator, with a goal of reaching consensus on any changes. Any changes to BED's annual report format must be approved by the Contract Administrator.

**6. BED shall submit its coordination agreement with Efficiency Vermont to the Contract Administrator on or before December 31, 2002. BED shall submit any annual adjustments to this coordination agreement to the Contract Administrator on or before March 31, 2004, and March 31, 2005.**

Because BED and Efficiency Vermont are delivering the same energy efficiency services to different customers, there is a need for close coordination between the two entities. In addition, parallel or overlapping efforts may be more efficiently and economically performed by either BED or Efficiency Vermont on behalf of both entities, and many services and activities that Efficiency Vermont necessarily provides on a statewide basis fulfill or reduce certain of BED's obligations related to delivery of EEU services in BED's service territory. As a result, it is important that BED and Efficiency Vermont develop a coordination agreement that describes which tasks will be performed by which entities, and includes a mechanism for fair exchange of compensation for EEU services between BED and Efficiency Vermont. BED has agreed to work with Efficiency Vermont to develop this agreement.

Any disputes between BED and Efficiency Vermont regarding the coordination efforts or compensation described above shall be mediated by the Contract Administrator. If the Contract Administrator cannot settle such a dispute, then the dispute shall be submitted to the Board for a final and binding decision.

**7. BED shall submit proposed performance indicators to the Board, the Contract Administrator, and the DPS, by Friday, December 13, 2002.**

---

<sup>5</sup>For reporting purposes, BED shall use the same definition of administrative costs as Efficiency Vermont so that accurate comparisons between the two entities' costs can be made.

As explained in footnote 2 above, we previously granted BED an extension of time to file its proposed performance indicators. At the November 14, 2002, meeting among BED staff, Board staff, DPS staff, and the Contract Administrator, it was agreed that BED and the DPS will discuss, and try to reach consensus on, possible performance indicators for BED. BED further agreed that, following those discussions, it will submit proposed performance indicators to the Board, the Contract Administrator, and the DPS. Finally, the attendees at the November 14, 2002, meeting agreed that there would be another meeting among the same parties on December 17, 2002, to discuss BED's proposed performance indicators. In order to facilitate the discussions at that meeting, we are requiring BED to file its proposed performance indicators by December 13, 2002.